




# NEW YORK STATE COMMISSION ON NATIONAL AND COMMUNITY SERVICE FISCAL MANAGEMENT TRAINING


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# SESSION 2

## MONITORING AND PROJECTING BUDGET EXPENSES



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# Learning Objectives

- Discuss key practices in budget management
- Understand which changes to your grant or cooperative agreement require prior written approval and which can be done without permission.
- Understand where to do further research on the need for prior approvals

# What is Budget Preparation?

Building an accurate and thorough forecast of future costs, using knowledge of operational needs, organizational consistent practice, funder requirements, and market conditions.

# What is Budget Management?

Ensuring funds from various sources covering multiple periods of time are utilized effectively and allowably.



# Why is it Hard?

- Timing issues...
- Rules... Rules... Rules...
- Funding purpose issues...



# Why is it Important?



It is a must for getting stellar programmatic results and avoiding financial management-related problems.

## What if I don't do it Right or Well?

- Funding Shortfalls
- Less than desirable programmatic results
- Potential audit findings
- Potential cost disallowance and associated payback



# What if I'm Good at It?

- Optimal programmatic performance
- Clean audits
- Funds are available when needed
- Peace of mind



# KEY PRACTICES



# Key Practice: Prepare effectively



# Key Practice:

## Prepare effectively (cont.)

- Research actual costs
- Break down costs
- Provide source calculations
- Check your work
- Have someone else check your work
- Ensure the various budgeted items gel with other information (like other parts of the budget or the grant application)
- Understand operational needs and parameters, including those dictated by funder requirements
- Know your organization
- Understand the project

# Key Practice:

## Appropriate Cost Allocation

### Allocable costs. 2 CFR 200.405

- a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:
  - 1) Is incurred specifically for the Federal award;
  - 2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and

# Key Practice:

## Appropriate Cost Allocation (cont.)

Allocable costs. 2 CFR 200.405 (cont.)

3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

2 CFR 200.405(d) Direct cost allocation principles. *If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§ 200.310 Insurance coverage through 200.316 Property trust relationship and 200.439 Equipment and other capital expenditures.*

## Key Practice:

### Appropriate Cost Allocation (cont.)

- Have a written Cost Allocation Plan or Cost Policy Statement.
- Understand where you have overlap in funding source purpose.
- Understand requirement to allocate when costs benefit multiple activities.
- Understand implications of simultaneous awards/subawards.

## Key Practice: Manage Multiple Requirements

Know the compliance requirements of each award (differences and similarities)

- Match requirements
- Cash or in-kind
- Indirect costs
- Limited or unallowable costs





## Key Practice:

### Treat Direct and Indirect Costs Consistently Organization-Wide

2 CFR 200.403

Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

.....

- d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

## Key Practice:

### Treat Direct and Indirect Costs Consistent Organization-Wide (cont.)

2 CFR 200.412

#### Classification of costs.

There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards.

Guidelines for determining direct and indirect (F&A) costs charged to Federal awards are provided in this subpart.

## Key Practice:

Have consistent policies for both federal and non-federal activities

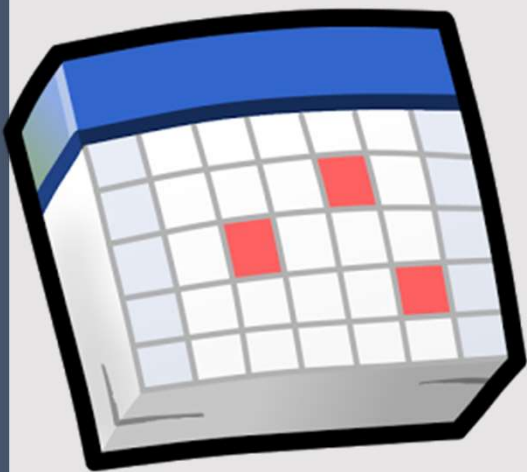
2 CFR 200.403

Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

.....

- c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.



## Key Practice:

Understand and plan for differing funding periods

- Grant budget and project periods
- Government appropriation periods
- Internal budget restraints

## Key Practice: Use tracking tools and systems to your advantage

- Monthly (or more frequent) Status Reviews
- Budget to actuals comparisons
- Assess early and often
- Spend down Rate
- Time Elapsed for funding block
- Amount of work completed
- How much match has been provided?

Suggestion: Use a tool that allows for the following:

- Real Time review of expense (or close to it)
- Compliance checking
- Expenditure Monitoring
- Trend-spotting
- Helps you deal with unallowable costs

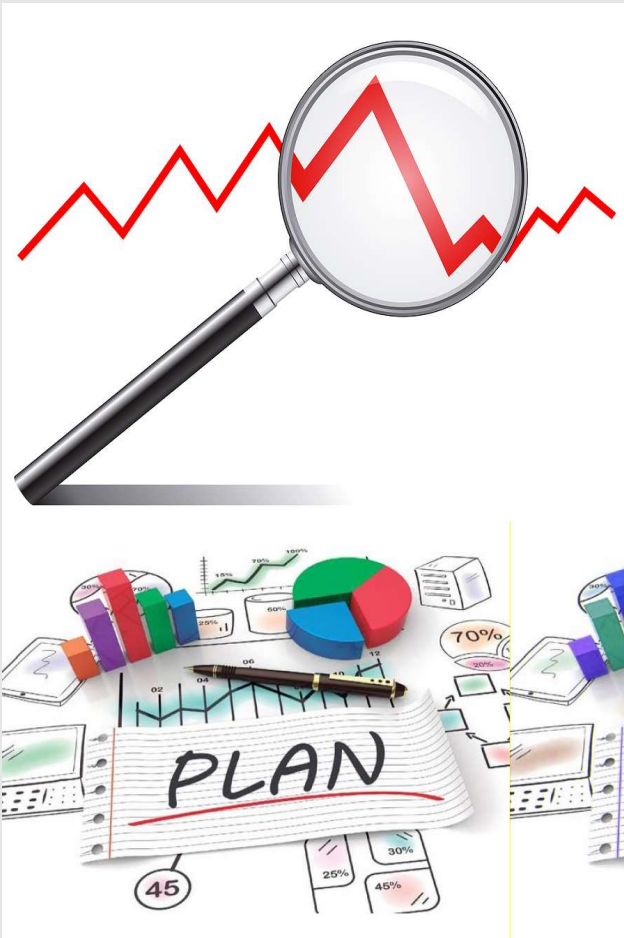


## Key Practice:

Track matching/cost sharing and other budgetary commitments made for various funding sources and activities.

- Helps you avoid overcommitting
- Allows you to budget organizational resources appropriately

*Level of sophistication can vary.*



## Key Practice: Use functional coding

- To spot current trends
- To use for future planning

## Key Practice:

Train staff on their roles regarding budget management

Training should include:

- Key Grant Requirements
- Where to find appropriate grant information
- Policies and procedures, including each person's role and responsibilities





## Key Practice:

Have a backup plan (*a budget is a best guess*)

- Practice contingency planning
- Ask, “What if X Funding Source went away?”



# Key Practice:

## Avoid surprises through strong forecasting

Forecast expenditures well through:

- *Analyzing trends*
- *Regular communication with program staff*
- *Asking questions*
- *Using forecasting tools-could be a simple spreadsheet*
- *Joint fiscal/program staff effort-forecasting done in tandem*
- *Asking, "Do we need to incur costs not in the budget?"*
- *Asking, "Have market prices substantially changed +/- since we built this budget?"*

## Key Practice:

### Maximize grant spend down

- Review budget to actuals from very early in the budget period
- Ask early, “How can we repurpose unspent funds?”
- Understand prior approval requirements
- Don’t wait too long to consider repurposing funds

## Key Practice:

Manage multiple budgets within a system of internal controls

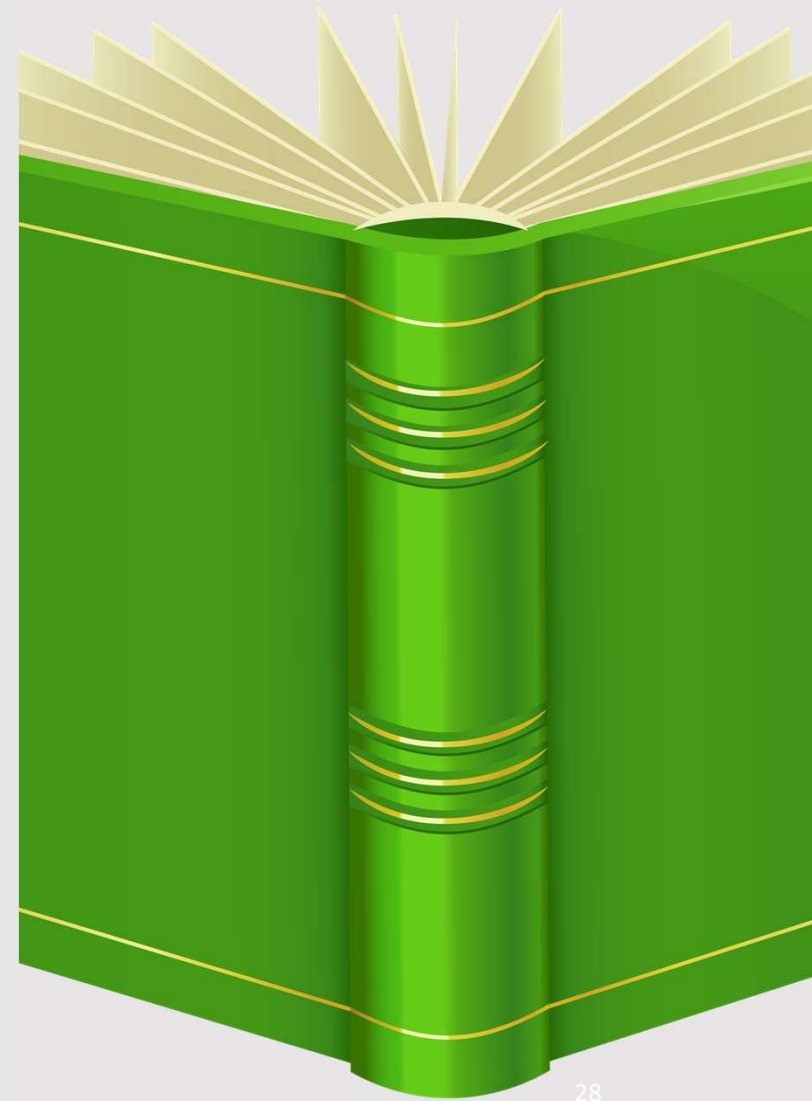
This is what makes it all work!

5 components from Standards for Internal Control in the Federal Government

(AKA The Green Book)

1. *Control Environment*
2. *Risk Assessment*
3. *Control Activities*
4. *Information and Communication*
5. *Monitoring*

[www.gao.gov](http://www.gao.gov)



## A FINAL WORD

*Embrace the disciplines of developing  
and managing budgets well by  
remembering the payoff!*



# BUDGET AND PROGRAM CHANGES (REQUIRED PRIOR APPROVALS)

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# Learning Objectives

- Understand which changes to your grant or cooperative agreement require prior written approval and which can be done without permission.
- Understand where to do further research on the need for prior approvals

## 2 CFR 200.308 Revision of Budget and Program Plans

(a) The approved budget for the Federal award summarizes the financial aspects of the project or program as approved during the Federal award process. It may include either the Federal and non-Federal share (see definition for *Federal Share* in §200.1) or only the Federal share, depending upon Federal awarding agency requirements. The budget and program plans include considerations for performance and program evaluation purposes whenever required in accordance with the terms and conditions of the award..

(b) Recipients are required to report deviations from budget or project scope or objective, and request prior approvals from Federal awarding agencies for budget and program plan revisions, in accordance with this section.

(c) For non-construction Federal awards, recipients must request prior approvals from Federal awarding agencies for one or more of the following program or budget-related reasons:

(1) Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).

(2) Change in a key person specified in the application or the Federal award.

(3) The disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.



## 2 CFR 200.308 Revision of Budget and Program Plans (cont.)

- (4) The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with subpart E of this part or 45 CFR part as applicable.
- (5) The transfer of funds budgeted for participant support costs to other categories of expense.
- (6) Unless described in the application and funded in the approved Federal awards, the subawarding, transferring or contracting out of any work under a Federal award, including fixed amount subawards as described in §200.333. This provision does not apply to the acquisition of supplies, material, equipment or general support services.
- (7) Changes in the approved cost-sharing or matching provided by the non-Federal entity.
- (8) The need arises for additional Federal funds to complete the project.

## 2 CFR 200.308 Revision of Budget and Program Plans (cont.)

(d) No other prior approval requirements for specific items may be imposed unless an exception has been approved by OMB. See also §§200.102 and 200.407.

(e) Except for requirements listed in paragraphs (c)(1) through (8) of this section, the Federal awarding agency is authorized, at its option, to waive other cost-related and administrative prior written approvals contained in subparts D and E. Such waivers may include authorizing recipients to do any one or more of the following:

(1) Incur project costs 90 calendar days before the Federal awarding agency makes the Federal award. Expenses more than 90 calendar days pre-award require prior approval of the Federal awarding agency. All costs incurred before the Federal awarding agency makes the Federal award are at the recipient's risk (i.e., the Federal awarding agency is not required to reimburse such costs if for any reason the recipient does not receive a Federal award or if the Federal award is less than anticipated and inadequate to cover such costs). See also §200.458.

(2) Initiate a one-time extension of the period of performance by up to 12 months unless one or more of the conditions outlined in paragraphs (e)(2)(i) through (iii) of this section apply. For one-time extensions, the recipient must notify the Federal awarding agency in writing with the supporting reasons and revised period of performance at least 10 calendar days before the end of the period of performance specified in the Federal award. This one-time extension must not be exercised merely for the purpose of using unobligated balances. Extensions require explicit prior Federal awarding agency approval when:

(i) The terms and conditions of the Federal award prohibit the extension.

(ii) The extension requires additional Federal funds.

(iii) The extension involves any change in the approved objectives or scope of the project.

(3) Carry forward unobligated balances to subsequent budget periods.

## 2 CFR 200.308 Revision of Budget and Program Plans (cont.)

(4) For Federal awards that support research, unless the Federal awarding agency provides otherwise in the Federal award or in the Federal awarding agency's regulations, the prior approval requirements described in this paragraph (e) are automatically waived (i.e., recipients need not obtain such prior approvals) unless one of the conditions included in paragraph (e)(2) of this section applies.

(f) The Federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for Federal awards in which the Federal share of the project exceeds the simplified acquisition threshold and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Federal awarding agency. The Federal awarding agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation.

(g) All other changes to non-construction budgets, except for the changes described in paragraph (c) of this section, do not require prior approval (see also §200.407).

## 2 CFR 200.308 Revision of Budget and Program Plans (cont.)

(h) For construction Federal awards, the recipient must request prior written approval promptly from the Federal awarding agency for budget revisions whenever paragraph (h)(1), (2), or (3) of this section applies.

(1) The revision results from changes in the scope or the objective of the project or program.

(2) The need arises for additional Federal funds to complete the project.

(3) A revision is desired which involves specific costs for which prior written approval requirements may be imposed consistent with applicable OMB cost principles listed in Subpart E.

(4) No other prior approval requirements for budget revisions may be imposed unless an exception has been approved by OMB.

(5) When a Federal awarding agency makes a Federal award that provides support for construction and non-construction work, the Federal awarding agency may require the recipient to obtain prior approval from the Federal awarding agency before making any fund or budget transfers between the two types of work supported.

(i) When requesting approval for budget revisions, the recipient must use the same format for budget information that was used in the application, unless the Federal awarding agency indicates a letter of request suffices.

(j) Within 30 calendar days from the date of receipt of the request for budget revisions, the Federal awarding agency must review the request and notify the recipient whether the budget revisions have been approved. If the revision is still under consideration at the end of 30 calendar days, the Federal awarding agency must inform the recipient in writing of the date when the recipient may expect the decision.

# Basic Considerations

## 2 CFR 200.407 Prior written approval (prior approval)

Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, the non-Federal entity **may seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of the incurrence of special or unusual costs**. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described under certain circumstances in the following sections of this part.

# Basic Considerations

## 2 CFR 200.407 Prior written approval (prior approval)

- (a) §200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, paragraph (b)(5);
- (b) §200.306 Cost sharing or matching;
- (c) §200.307 Program income;
- (d) §200.308 Revision of budget and program plans;
- (e) §200.311 Real property;
- (f) §200.313 Equipment;
- (g) §200.333 Fixed amount subawards;
- (h) §200.413 Direct costs, paragraph (c);

# Basic Considerations

## 2 CFR 200.407 Prior written approval (prior approval)

(i) §200.430 Compensation—personal services, paragraph (h);

(j) §200.431 Compensation—fringe benefits;

(k) §200.438 Entertainment costs;

(l) §200.439 Equipment and other capital expenditures;

(m) §200.440 Exchange rates;

(n) §200.441 Fines, penalties, damages and other settlements;

(o) §200.442 Fund raising and investment management costs;

(p) §200.445 Goods or services for personal use;

# Basic Considerations

## 2 CFR 200.407 Prior written approval (prior approval)

- (q) §200.447 Insurance and indemnification;
- (r) §200.454 Memberships, subscriptions, and professional activity costs, paragraph (c);
- (s) §200.455 Organization costs;
- (t) §200.456 Participant support costs;
- (u) §200.458 Pre-award costs;
- (v) §200.462 Rearrangement and reconversion costs;
- (w) §200.467 Selling and marketing costs;
- (x) §200.470 Taxes (including Value Added Tax); and
- (y) §200.475 Travel costs.



Review the following:



**2 CFR 200  
200.308 REVISION OF  
BUDGET AND  
PROGRAM PLANS**



**2 CFR 200.407 PRIOR  
WRITTEN APPROVAL  
(PRIOR APPROVAL)**

## CNCS General Terms and Conditions

### III.C

#### C. CHANGES IN BUDGET OR KEY PERSONNEL

All budget and programmatic changes must comply with 2 CFR § 200.308 – Revision of budget and program plans. 2 CFR § 200.407 Prior written approval (prior approval) – provides an exhaustive list of those other items requiring CNCS's advance approval. CNCS does not waive any of the prior written approvals required under that section.

In addition to the required prior approval for changes in key personnel identified in the budget, the recipient must also notify CNCS of any changes in the senior leadership of the recipient and any changes in any positions which are not included in the approved budget, but which involve leadership oversight of the activity under this award.

# From AmeriCorps State and National Terms and Conditions

## VI. CHANGES IN MEMBER POSITIONS

**A. Changes that Require CNCS Approval.** Circumstances may arise within a program that necessitate changing the type of unfilled AmeriCorps member positions awarded to a recipient or subrecipient, or changing the term of service of a currently enrolled member. Note that once a member is exited with a partial education award, the remaining portion of that education award is not available for use. The following changes require written approval from CNCS's Office of Grants Management as well as written approval and concurrence from the State Commission or Direct (including National Direct, State Direct, Tribal, Territory Direct, or Education Award Only (EAP)) recipient:

1. A change in the number of member service year (MSY) positions in the award;
2. 2. A change in the funding level of the award; and/or
3. 3. A conversion of any position(s) to a three-quarter time member, regardless of whether it changes the number of member service year (MSY) positions in the award.

# From CNCS AmeriCorps State and National Terms and Conditions

## X. BUDGET AND PROGRAMMATIC CHANGES

**A. Programmatic Changes.** The recipient must first obtain the prior written approval of the AmeriCorps Program Office before making any of the following changes (1-3):

1. *Changes in the scope, objectives **or goals** of the program, whether or not they involve budgetary changes;*
2. ***Substantial changes in the level of member supervision;***
3. *Entering into additional sub awards or contracts for AmeriCorps activities funded by the award, but not identified or included in the approved application and award budget.*

Upon notification to the AmeriCorps Program Office, recipients may make programmatic changes due to, or in response to, an officially-declared state or national disaster without written approval from CNCS. As soon as practicable, recipients making disaster-related programmatic changes must discuss the recordkeeping, member activities, performance measure adjustments, and other AmeriCorps award requirements with the AmeriCorps Program Office. While written approval from CNCS is not required before making disaster-related programmatic changes, CNCS reserves the right to limit or deny disaster-related programmatic changes, including disallowing costs associated with the disaster related activities.

**B. Program Changes for Formula Programs.** State Commissions are responsible for approving the above changes for state formula programs.

# From CNCS AmeriCorps State and National Terms and Conditions

**C. Budgetary Changes.** The recipient must obtain the prior written approval of CNCS's Office of Grants Management before deviating from the approved budget in any of the following ways:

1. Specific Costs Requiring Prior Approval before Incurrence under the uniform administrative requirement, cost principles, and audit requirements for Federal awards at 2 CFR Parts 200 and 2205. Certain cost items in 2 CFR Parts 200 and 2205 require approval of the awarding agency for the cost to be allowable such as pre-award costs. Please ensure you consult the regulations prior to incurring costs to ensure allowability.

2. Purchases of Equipment over \$5,000 using award funds, unless specified in the approved application and budget.

3. Unless the CNCS share of the award is \$100,000 or less, changes to cumulative and/or aggregate budget line items that amount to 10 per cent or more of the total budget must be approved in writing in advance by CNCS. The total budget includes both the CNCS and recipient shares. Recipients may transfer funds among approved direct cost categories when the cumulative amount of such transfers does not exceed 10 percent of the total budget.

# From CNCS AmeriCorps State and National Terms and Conditions

**D. Approvals of Programmatic and Budget Changes.** CNCS's Grants Officers are the only officials who have the authority to alter or change the terms and conditions or requirements of the award. The Grants Officers will execute written amendments, and recipients should not assume approvals have been granted unless documentation from the Grants Office has been received. Programmatic changes also require final approval of CNCS's Office of Grants Management after written recommendation for approval is received from the Program Office.

**E. Exceptions for Fixed Amount Awards.** Recipients with Fixed Amount awards are not subject to the requirements in Section C., Budgetary Changes, above.

# ACTIVITY

Is prior approval required?

# Is prior approval required?

## **Scenario 1:**

A program director on a literacy grant was budgeted to work 100% of her time on the award. She has been asked to reduce her time to 80% for next two months in order to assist another project with start-up duties. She was not named in the grant application. Is prior written approval required.

**Answer:** Prior approval is not required. This is not a 25% reduction, the percentage at which prior approval would be required. And even if she was named in the grant application or award, approval still wouldn't be required since the person isn't being replaced.



# Is prior approval required?

## **Scenario 2:**

Due to an exceptionally busy season, grant recipient Housing our Community has requested most Program Assistants to work overtime. Should the organization obtain prior approval from its federal funding agencies before the overtime costs are paid out? Should they obtain prior written approval before the overtime hours are worked?

**Answer:** Prior approval is not required. 2 CFR 200.430 does not stipulate that overtime must be approved.

# Is prior approval required?

## **Scenario 3:**

The City of Elmville has a grant to build restrooms and shelters at several parks. The City has terminated the staff member overseeing the project due to misconduct. The terminated staff member was named in the grant application. Is prior written approval required for his replacement?

**Answer:** Prior approval is not required under 2 CFR 200 for replacement of the director of a construction grant, even if the person was named in the grant application.

# Is prior approval required?

## **Scenario 4:**

The University of Michigan would like a 9-month extension on its research grant. Is prior written approval required?

**Answer:** Prior written approval is likely not required, since this is a research grant, which normally allows an extension of up to 12 months.

# Is prior approval required?

## **Scenario 5:**

Healthy Houston has a \$100,000 cooperative agreement for nutrition education and would like to move \$20,000 from the Personnel category to the Supplies category. As allowed by 2 CFR 200, the agency has enacted the 10% budget deviation prior approval requirement. Is prior written approval required?

**Answer:** Prior approval is not required, since this budget does not exceed the Simplified Acquisition Threshold (currently \$250,000).

# Is prior approval required?

## **Scenario 6:**

The Oak City School District has a grant from the Department of Education for after school programming. The District proposed services at 18 campuses in the grant application, but has determined it would like to provide services using grant funds at a 19<sup>th</sup> campus. They have found savings in the budget so that they can serve the 19<sup>th</sup> campus without any additional federal money. Is prior written approval required?

**Answer:** It depends on whether or not this is deemed a change in scope or objective. If in doubt, they should consult with the awarding agency.

# Is prior approval required?

## **Scenario 7:**

The City of Hudson has set its equipment capitalization threshold at \$1000. The City would like to repurpose unused grant funds to purchase two needed \$1200 laptops for grant staff. Is prior written approval required?

**Answer:** Yes, general purpose equipment of any amount requires prior written approval.

# Is prior approval required?

## **Scenario 8:**

Community Strategies, a nonprofit, has determined that it needs to develop a database to track performance data related to its education-related grant. They would like to hire a contractor to do this. This was not in the approved grant budget. Is prior written approval required.

**Answer:** 2 CFR 200.308(c) requires prior written approval for contracting out any work under the award.

# Key Considerations

How can a person gain awareness of all actions/costs requiring prior approval?

What role does internal grantee training have in this?

What controls does an organization need to utilize to ensure prior written approvals are obtained in advance of cost/actions requiring prior approval?

What should a written policy/procedure related to prior approvals include?



# Key Considerations

What types of tools would be helpful for organizations to ensure compliance in this area?

What can an applicant do to limit the need for prior approval requests?

Is a federal agency allowed to require its recipients to request prior approvals of costs/actions not requiring prior approval in the Uniform Guidance?

Is a pass-through entity allowed to require its subrecipients to request prior approvals of costs/actions not requiring prior approval in the Uniform Guidance?

## Resources



<https://www.cfo.gov/financial-assistance/>

Federal financial assistance  
resources



[www.ecfr.gov](http://www.ecfr.gov)

Latest version of all federal  
regulations



QUESTIONS